

SECRET

31 March 1977

MEMORANDUM

SUBJECT : Estimates of the Dollar Costs of Chinese Defense Activities

1. We estimate the dollar costs of the Chinese defense activities at about 35 billion dollars (1975 prices) in each of the years 1975 and 1976. These estimates should be caveated as follows:

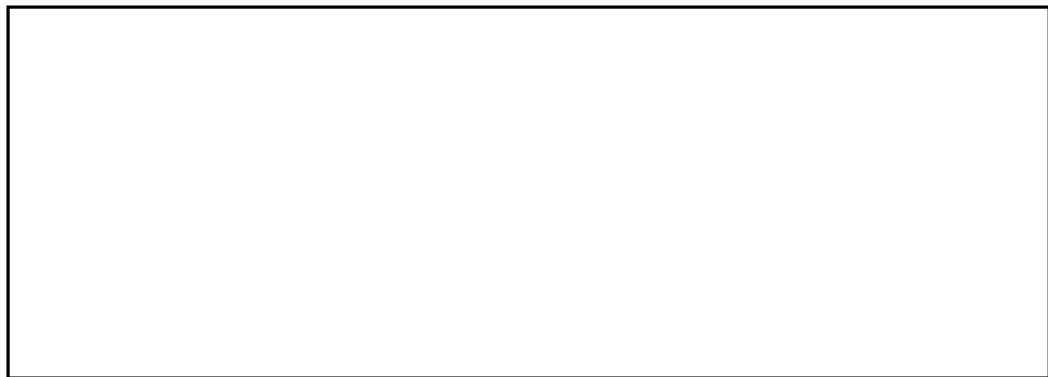
--This is an estimate of what it would cost to reproduce Chinese defense activities in the US at US military pay rates and costs. Chinese military manpower is priced using US conscript pay and allowances. The totals are rough estimates and have a range of error of plus or minus about twenty percent. About half of the total is for military personal. This reflects the relatively high wage rates in the US--certainly the Chinese would not view their manpower costs in this way.

2. This is the first time we have ever released an estimate of the dollar costs of total Chinese defense activities. We are very worried about possible mischief that could result.

25X1

25X1

SECRET



25X1

This is a
second set.
One must be lost
in the mail.